

The International Helium Company Limited

201 BAY STREET, TORONTO, ONTARIO

August 29th, 1962.

HELIUM CORPORATION OF AMERICA,
ROOM 405, 25 ADELAIDE STREET WEST,
TORONTO, ONTARIO.

Dear Sirs:

You and we have discussed and considered the merging of our companies for the purpose of advancing the interests of our respective shareholders. As a result of our discussions, we now submit to you the following offer of merger:

(1) For the purpose of this offer, the following words and expressions shall have the following meanings:

- (a) "Helium Corp." means Helium Corporation of America.
- (b) "International Helium" means The International Helium Company Limited.
- (c) "Assets of Helium Corp." shall include all the rights, privileges, powers, immunities, assets, property and undertaking of Helium Corp. as a going concern as the same are constituted at the Closing, and without limiting the foregoing, the rights granted by the Province of Saskatchewan under Helium agreements numbers H-43, H-44, H-45, H-47 and H-50, and also the option to acquire (i) Helium Agreement H-64 on payment of \$5,000 on or before October 15, 1962 for an assignment thereof, (ii) Helium Agreement H-49 on payment of \$15,000 on or before October 15, 1962 for an assignment thereof, and (iii) Helium Lease No. P.H. 9 being issued in respect of about 5997 acres of the lands presently comprised in Helium Agreement H-29 on payment of \$15,000 on or before October 15, 1962 for an assignment of said Lease, subject to an existing over-riding royalty of 5%, reserving to the Assignor an over-riding royalty of 11½%, the Assignee covenanting to keep the said Lease in good standing for a period of at least 2 years, to drill a well on the lands comprised in the said Lease within 2 years from the date of the assignment failing which to pay the Assignor the further sum of \$25,000 or re-assign the Lease to the Assignor and the Assignee also undertaking to pay the Assignor \$25,000 if a commercial well is drilled by it on the said lands.
- (d) "Liabilities of Helium Corp." shall include all the debts, duties, disabilities, liabilities and obligations of Helium Corp., whether certain or contingent, all as constituted at the Closing.
- (e) "The Closing" shall be at the hour of 3:00 p.m. on the 28th day of September, 1962, at Room 405, 25 Adelaide Street West, Toronto, Ontario, or at such other time and place as may be mutually agreed upon.

- (2) (a) Helium Corp. hereby represents and warrants to International Helium, that Helium Corp. has been duly incorporated under the laws of the State of Delaware; is a valid and subsisting corporation; has an authorized capital divided into 2,000,000 shares having a par value of \$.10 (U.S.A. funds) each, of which 1,100,000 shares have been allotted and issued as fully paid and non-assessable shares; that it has the right to accept this offer and following approval of shareholders to transfer to International Helium the Assets of Helium Corp.
- (b) International Helium hereby represents and warrants to Helium Corp. that International Helium has been duly incorporated under the laws of the Province of Ontario; is a valid and subsisting corporation; has an authorized capital of 3,000,000 shares without nominal or par value, of which 1,840,020½ shares have been allotted and issued as fully paid and non-assessable shares; and that it has the right to make this offer and to allot and issue shares in its capital stock to Helium Corp. in pursuance of this offer.

(3) International Helium hereby offers, upon and subject to the terms and conditions hereinafter set forth:

- (i) to allot and issue to or in accordance with the written direction of Helium Corp. 366,666 $\frac{2}{3}$ fully paid and non-assessable shares; and
- (ii) to assume and discharge fully as the same become due and payable, the Liabilities of Helium Corp.

all in consideration of the transfer to International Helium of the Assets of Helium Corp.

(4) This offer shall be irrevocable and open for acceptance until 5:00 p.m. (Toronto time) on August 31st, 1962.

(5) The agreement resulting from the acceptance of this offer by Helium Corp. shall become and be null and void and of no effect unless:

- (a) At the Closing, the representations contained in paragraph 2(a) are true and correct.
- (b) Prior to the Closing the Shareholders of Helium Corp. shall have approved, ratified and confirmed the said agreement at a meeting duly convened and properly held under the laws of the State of Delaware, U.S.A.
- (c) At the Closing, there shall be no material adverse change in the capital structure of Helium Corp. or in its financial position.
- (d) Prior to Closing each International Helium and Helium Corp. shall have filed with the Canadian Stock Exchange a filing statement containing details of this agreement and shall have obtained acceptances thereof.
- (e) At the Closing, the representations and warranties set forth in paragraph 2(b) are true and correct.

(6) At the Closing, International Helium shall deliver the said 366,666 $\frac{2}{3}$ shares to Helium Corp. in such denominations and names which Helium Corp. shall direct, and Helium Corp. shall deliver to International Helium all such transfers, assignments and conveyances which are required to transfer the Assets of Helium Corp. to International Helium.

(7) Time shall be of the essence hereof.

If this offer is acceptable to you, will you so indicate by signing in the place provided and returning two copies to us.

Yours very truly,

THE INTERNATIONAL HELIUM COMPANY LIMITED

Per: "K. R. BESLY"

CORPORATE SEAL

Per: "D. A. S. BROOKS"

Agreed and Accepted:

"D. T. WINCHELL"

Director

"H. W. KNIGHT JR."

Director

The International Helium Company Limited

201 BAY STREET, TORONTO, ONTARIO

August 29, 1962.

TO THE DIRECTORS OF
HELIUM CORPORATION OF AMERICA,
SUITE 405, 25 ADELAIDE STREET WEST,
TORONTO, ONTARIO.

Dear Sirs:

With reference to our negotiations for the merger of the holdings of our two companies as set out in the accompanying proposal, we are pleased to supply the following information:

THE COMPANY

International Helium Corporation Limited was incorporated under the laws of the Province of Ontario on May 26, 1960, and changed its name to The International Helium Company Limited (hereinafter called the "Company") on September 8, 1961. The Company was registered to do business in Saskatchewan on November 2, 1960, and is also qualified to do business in the Province of Alberta.

The Company was formed to participate in the development of helium properties located in Southwestern Saskatchewan, where the only known discovery of helium in commercial quantities in the Free World, outside the United States of America, has been made.

The authorized capital of the Company is 3,000,000 common shares of no par value, of which 1,840,020½ shares are issued and outstanding. 150,000 shares are reserved for issue upon the exercise of share purchase warrants to Gairdner & Company Limited, expiring August 10, 1963.

HISTORY

On June 1, 1961, the Company acquired from Texaco Exploration Company, for cash and a gross over-riding royalty, the right to the helium-bearing well known as Texaco Wood Mountain 12-10, and the helium exploration rights on 19,000 acres surrounding the well, located near Swift Current, Saskatchewan. Pursuant to its agreement with Texaco Exploration Company, the Company had deposited \$150,000.00 for the purpose of drilling another well on this property on or before February 15, 1962. This well was completed on November 30, 1961, as a commercial helium well.

As well as owning the helium well and helium exploration permits referred to above, the Company holds a farmout agreement entitling it to 100% net interest, subject to royalties, in any petroleum products found in the Cardium formation underlying approximately 1,120 acres in the Pembina field area of Alberta. To acquire its interest, the Company must have commenced the drilling of a well prior to September 25, 1961. This requirement was fulfilled, and the well so drilled is a commercial oil well. Seven additional wells were drilled and all are successful oil producers.

The revenue from the eight wells is expected to be \$150,000.00 annually. The battery and pipe lines are completed and all wells are on production.

In addition, the Company is the owner of 50,000 common shares of Canadian Husky Oil Limited. It is the Company's intention to dispose of these investments as market conditions permit.

FUTURE PLANS OF THE COMPANY

The International Helium Company Limited acquired additional acreage and its intention is to have C. A. LaVerne Hogg, Geologist, evaluate all its holdings for the purpose of selecting the next drilling site for helium, after which drilling will commence immediately.

To determine the deliverability and reserves of the two helium wells in the Wood Mountain area the Company proposes to move in a work-over rig immediately. These figures should be available thirty days after the rig has commenced work, and are necessary to have before current negotiations with a distributor of helium can be finalized.

FINANCIAL

The Company's financial position is substantially as set out in the Unaudited Balance Sheet as at June 30, 1962 a copy of which is submitted herewith. Save for ordinary operating costs and expenses, there has been no material adverse change. To augment our current asset position, tentative arrangements have been made with Dobienco Limited and Lehigh Securities Limited for an underwriting covering 125,000 shares of our capital stock at \$2.25 per share. An agreement to provide accordingly is being prepared. A filing statement to reflect the proposed underwriting is also being prepared for presentation to the Canadian Stock Exchange as well as amendments to our prospectus on file with the Ontario and Quebec Securities Commissions. The acceptance of said filing statement and amendments are a prerequisite to the underwriting commitment and as to one-half thereof, the completion of the merger between our companies is also a prerequisite.

CONCLUSION

It is the opinion of our directors that the proposal submitted to you is fair and equitable. We trust the same will be accepted and that your stockholders will ratify, approve and confirm the same. With the addition of the extensive acreage covered by the Helium Agreements which your company holds and has under option, the merged company should be placed in the forefront in the development of helium in Canada.

Yours very truly,

THE INTERNATIONAL HELIUM COMPANY LIMITED,

K. R. BESLY,
President.

KRB/bfs

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The International Helium Company Limited

BALANCE SHEET AS AT JUNE 30, 1962

ASSETS

CURRENT

Royal Bank of Canada—Toronto	\$	1,610.29	
Royal Bank of Canada—Calgary		5,299.73	
Bank of Montreal—Belleville		10,462.10	
Petty Cash Fund		300.00	\$ 17,672.12
Accounts Receivable—Schedule 1		28,930.54	
Accounts Receivable—Clearing Account		200.75	
Due from Directors—Schedule 2		14,132.25	
Loan Receivable		37,500.00	80,763.54
Share Subscriptions Receivable			500.00
Deposits—Schedule 2		104,916.00	
Prepaid Insurance		971.28	
Prepaid Expenses		—	105,887.28

SECURITIES AT COST

50,000 Shares—Husky Oil			
390,000 Warrants—Husky Oil			
(Market Value—\$769,500.00)		819,425.57	
10,000 Shares Featherock Inc.		7,750.00	
Dominion of Canada Bonds		6,846.86	834,022.43

CURRENT ASSETS			1,038,845.37
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CAPITAL ASSETS AT COST

Helium Agreements	500,000.00		
Helium Leases	4,501.00		
Intangible Drilling Costs—Schedule 6	622,080.06		1,126,581.06

FIXED ASSETS, AT COST

Automobiles—Schedule 7	16,465.09		
Office Furniture and Equipment—Schedule 8	13,120.85		
Lease Improvements—net	14,433.01		
	44,018.95		
Less Accumulated Depreciation	8,446.54		35,572.41
Well Equipment—Schedule 6	152,001.40		
Battery Equipment—Schedule 6	23,268.90		
	175,270.30		
Less Accumulated Depreciation	8,189.06		167,081.24

INCORPORATION EXPENSES			735.00
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			<u>\$ 2,368,815.08</u>
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The International Helium Company Limited

BALANCE SHEET AS AT JUNE 30, 1962

LIABILITIES

CURRENT

Royal Bank of Canada—Calgary D/L	\$ 500,000.00	
Production Loan	117,935.02	\$ 617,935.02
Accounts Payable—Schedule 9	53,507.26	
Employee Deductions Payable	1,125.50	
Notes Payable—1st Year Portion	1,732.54	56,365.30

CURRENT LIABILITIES		674,300.32
Notes Payable	6,930.16	
Less 1st Year Portion	1,732.54	5,197.62

CAPITAL STOCK

Authorized—3,000,000 Shares—No Par Value		
Issued—Fully paid and non-assessable for cash—		
529,377½ shares	681,355.00	
For Helium Agreements—250,000 Shares	500,000.00	
For Merit Oil Ltd. Assets—1,049,143½ shares	839,314.80	2,020,669.80

DEFICIT ACCOUNT TO DATE		(331,352.66)
		<u>\$ 2,368,815.08</u>

Approved:

“K. R. BESLY,”

Director.

“D. A. S. BROOKS,”

Director.

